

103^D CONGRESS
2^D SESSION

S. 2304

To amend the Internal Revenue Code of 1986 to phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

IN THE SENATE OF THE UNITED STATES

JULY 21 (legislative day, JULY 20), 1994

Mr. BRADLEY (for himself and Mr. WALLOP) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PHASE-OUT OF TAX SUBSIDIES FOR ALCOHOL**
4 **FUELS PRODUCED FROM FEEDSTOCKS ELIGI-**
5 **BLE TO RECEIVE FEDERAL AGRICULTURAL**
6 **SUBSIDIES.**

7 (a) ALCOHOL FUELS CREDIT.—Section 40 of the In-
8 ternal Revenue Code of 1986 (relating to credit for alcohol

1 used as a fuel) is amended by adding at the end the follow-
2 ing new subsection:

3 “(g) PHASE-OUT OF CREDIT FOR ALCOHOL PRO-
4 DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-
5 ERAL AGRICULTURAL SUBSIDIES.—

6 “(1) IN GENERAL.—No credit shall be allowed
7 under this section with respect to any alcohol, or
8 fuel containing alcohol, which is produced from any
9 feedstock which is a subsidized agricultural commod-
10 ity.

11 “(2) PHASE-IN OF DISALLOWANCE.—In the
12 case of taxable years beginning in 1995 and 1996,
13 paragraph (1) shall not apply and the credit deter-
14 mined under this section with respect to alcohol or
15 fuels described in paragraph (1) shall be equal to 67
16 percent (33 percent in the case of taxable years be-
17 ginning in 1996) of the credit determined without
18 regard to this subsection.

19 “(3) SUBSIDIZED AGRICULTURAL COMMOD-
20 ITY.—For purposes of this subsection, the term
21 ‘subsidized agricultural commodity’ means any agri-
22 cultural commodity which is supported, or is eligible
23 to be supported, by a price support or production
24 adjustment program carried out by the Secretary of
25 Agriculture.”.

1 (b) EXCISE TAX REDUCTION.—

2 (1) PETROLEUM PRODUCTS.—Section 4081(c)
3 of the Internal Revenue Code of 1986 (relating to
4 taxable fuels mixed with alcohol) is amended by re-
5 designating paragraph (8) as paragraph (9) and by
6 adding after paragraph (7) the following new para-
7 graph:

8 “(8) PHASE-OUT OF SUBSIDY FOR ALCOHOL
9 PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-
10 CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

11 “(A) IN GENERAL.—This subsection shall
12 not apply to any qualified alcohol mixture con-
13 taining alcohol which is produced from any
14 feedstock which is a subsidized agricultural
15 commodity.

16 “(B) PHASE-IN OF DISALLOWANCE.—In
17 the case of calendar years 1995 and 1996, the
18 rate of tax under subsection (a) with respect to
19 any qualified alcohol mixture described in sub-
20 paragraph (A) shall be equal to the sum of—

21 “(i) the rate of tax determined under
22 this subsection (without regard to this
23 paragraph), plus

24 “(ii) 33 percent (67 percent in the
25 case of 1996) of the difference between the

1 rate of tax under subsection (a) deter-
 2 mined with and without regard to this sub-
 3 section.

4 “(C) SUBSIDIZED AGRICULTURAL COM-
 5 MODITY.—For purposes of this paragraph, the
 6 term ‘subsidized agricultural commodity’ means
 7 any agricultural commodity which is supported,
 8 or is eligible to be supported, by a price support
 9 or production adjustment program carried out
 10 by the Secretary of Agriculture.”.

11 (2) SPECIAL FUELS.—Section 4041 (relating to
 12 tax on special fuels) is amended by adding at the
 13 end the following new subsection:

14 “(n) PHASE-OUT OF SUBSIDY FOR ALCOHOL PRO-
 15 DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-
 16 ERAL AGRICULTURAL SUBSIDIES.—

17 “(1) IN GENERAL.—Subsections (b)(2), (k),
 18 and (m) shall not apply to any alcohol fuel contain-
 19 ing alcohol which is produced from any feedstock
 20 which is a subsidized agricultural commodity.

21 “(2) PHASE-IN OF DISALLOWANCE.—In the
 22 case of calendar years 1995 and 1996, the rate of
 23 tax determined under subsection (b)(2), (k), or (m)
 24 with respect to any alcohol fuel described in para-
 25 graph (1) shall be equal to the sum of—

1 “(A) the rate of tax determined under such
2 subsection (without regard to this subsection),
3 plus

4 “(B) 33 percent (67 percent in the case of
5 1996) of the difference between the rate of tax
6 under this section determined with and without
7 regard to subsection (b)(2), (k), or (m), which-
8 ever is applicable.

9 “(3) SUBSIDIZED AGRICULTURAL COMMOD-
10 ITY.—For purposes of this subsection, the term
11 ‘subsidized agricultural commodity’ means any agri-
12 cultural commodity which is supported, or is eligible
13 to be supported, by a price support or production
14 adjustment program carried out by the Secretary of
15 Agriculture.”.

16 (3) AVIATION FUEL.—Section 4084(c) (relating
17 to reduced rate of tax for aviation fuel in alcohol
18 mixture) is amended by redesignating paragraph (5)
19 as paragraph (6) and by inserting after paragraph
20 (4) the following new paragraph:

21 “(5) PHASE-OUT OF SUBSIDY FOR ALCOHOL
22 PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-
23 CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

24 “(A) IN GENERAL.—This subsection shall
25 not apply to any mixture of aviation fuel con-

1 taining alcohol which is produced from any
2 feedstock which is a subsidized agricultural
3 commodity.

4 “(B) PHASE-IN OF DISALLOWANCE.—In
5 the case of calendar years 1995 and 1996, the
6 rate of tax under subsection (a) with respect to
7 any mixture of aviation fuel described in sub-
8 paragraph (A) shall be equal to the sum of—

9 “(i) the rate of tax determined under
10 this subsection (without regard to this
11 paragraph), plus

12 “(ii) 33 percent (67 percent in the
13 case of 1996) of the difference between the
14 rate of tax under subsection (a) deter-
15 mined with and without regard to this sub-
16 section.

17 “(C) SUBSIDIZED AGRICULTURAL COM-
18 MODITY.—For purposes of this paragraph, the
19 term ‘subsidized agricultural commodity’ means
20 any agricultural commodity which is supported,
21 or is eligible to be supported, by a price support
22 or production adjustment program carried out
23 by the Secretary of Agriculture.”.

24 (c) EFFECTIVE DATES.—

1 (1) CREDIT.—The amendment made by sub-
2 section (a) shall apply to taxable years beginning
3 after December 31, 1994.

4 (2) EXCISE TAXES.—

5 (A) IN GENERAL.—The amendments made
6 by subsection (b) shall take effect on January
7 1, 1995.

8 (B) FLOOR STOCK TAX.—

9 (i) IN GENERAL.—In the case of any
10 alcohol fuel in which tax was imposed
11 under section 4041, 4081, or 4091 of the
12 Internal Revenue Code of 1986 before any
13 tax-increase date, and which is held on
14 such date by any person, then there is
15 hereby imposed a floor stock tax on such
16 fuel equal to the difference between the tax
17 imposed under such section on such date
18 and the tax so imposed.

19 (ii) LIABILITY FOR TAX AND METHOD
20 OF PAYMENT.—A person holding an alco-
21 hol fuel on any tax-increase date shall be
22 liable for such tax, shall pay such tax no
23 later than 90 days after such date, and
24 shall pay such tax in such manner as the
25 Secretary may prescribe.

1 (iii) EXCEPTIONS.—The tax imposed
2 by clause (i) shall not apply—

3 (I) to any fuel held in the tank of
4 a motor vehicle or motorboat, or

5 (II) to any fuel held by a person
6 if, on the tax-increase date, the aggre-
7 gate amount of fuel held by such per-
8 son and any related persons does not
9 exceed 2,000 gallons.

10 (iv) TAX-INCREASE DATE.—For pur-
11 poses of this subparagraph, the term “tax-
12 increase date” means January 1, 1995,
13 and January 1, 1996.

14 (v) OTHER LAWS APPLICABLE.—All
15 provisions of law, including penalties appli-
16 cable with respect to the taxes imposed by
17 sections 4041, 4081, and 4091 of such
18 Code shall, insofar as applicable and not
19 inconsistent with the provisions of this
20 subparagraph, apply with respect to the
21 floor stock taxes imposed by clause (i).

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